

1 September 2020



# ECONOMICS

**In this report:**

**Malaysia – Strongest trade surplus on record**

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## Malaysia

### Strongest trade surplus on record

In July, exports grew 3.1% y/y (+8.0% y/y in June), beating market consensus of -1.4% while imports continued to decline for the fifth consecutive month at -8.7% y/y from -5.6% y/y in June. This brings the trade surplus to widen further to RM25.1bil from RM20.1bil in June – marking the highest monthly trade balance on record.

Exports benefited from the continued positive contribution from electrical & electronic (+9.2% y/y in July). Besides, notable gains were seen in: (1) palm oil exports (+43.2% y/y in July); and (2) rubber products (+93.9% y/y).

We are seeing some encouraging signs that external demand is gradually recovering. However, we expect exports' growth to remain choppy in the coming months due to high-base effects. Also, much of the 2H2020 trade strength still depends on the sustainability of demand and the ongoing risk of the second wave of Covid-19 infections.

- In July, exports grew 3.1% y/y from 8.0% y/y in June and beating market consensus of -1.4%. On a monthly basis, exports rose 11.7% m/m. Meanwhile, imports continued to decline for the fifth consecutive month at -8.7% y/y from -5.6% y/y in June. This brings the trade surplus to widen further to RM25.1bil from RM20.1bil in June – marking the highest monthly trade balance on record. This partly explains the strengthening MYR trend in July, appreciating 0.8% m/m to 4.24.
- On a year-to-date basis, exports averaged by -5.6% while imports averaged at -6.7%. Looking at the sectoral breakdown, the stronger export performance was primarily supported by manufacturing goods (4.7% y/y from 13.7% y/y in June) and agriculture (30.4% y/y from 29.8% y/y in June). Meanwhile, mining exports remained depressed at -30.2% y/y in July from -45.6% y/y in June.
- In the sub-sectoral breakdown, we noticed electrical & electronic exports continuing to expand by 9.2% y/y in July from 15.9% y/y in June, moving in tandem with global semi-conductor sales (7.0% y/y in June from 3.4% y/y in May). Besides, notable gains were seen in: (1) palm oil exports climbing 43.2% y/y in July from 37.7% y/y in June; and (2) rubber products up 93.9% y/y from 101.1% y/y.
- Meanwhile, outbound shipments showed strong demand from China (+13.9% y/y); Singapore (+3.8% y/y); US (+28.6% y/y); Hong Kong (+1.5% y/y); and South Korea (+11.3% y/y). This helped to mitigate the poor demand from Japan (-2.8% y/y), Taiwan (-4.6% y/y), Vietnam (-4.9% y/y), and India (-7.4% y/y).

- The decline in imports was driven by both capital and intermediate goods, which shrank 19.9% y/y and 17.3% y/y from 2.8% y/y and -10.8% y/y, respectively. These were more than sufficient to offset the small positive growth in consumption goods, which edged up 0.3% y/y in July from 8.0% y/y in June.
- We are seeing some encouraging signs that external demand is gradually recovering. However, we expect exports growth to remain choppy in the coming months due to high-base effects. Also, much of the 2H2020 trade strength depends on the sustainability of demand and the ongoing risk of the second wave of Covid-19 infections.

**Table 1: Key External Trade Data YoY (%)**

	Jul'19	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul
X y/y (RM)	3.8	-0.6	-6.1	-6.4	-5.4	2.8	-2.6	10.0	-6.5	-24.9	-26.0	8.0	3.1
M y/y (RM)	-5.8	-12.5	2.5	-8.7	-3.6	1.0	-2.5	11.3	-2.7	-8.0	-30.4	-5.6	-8.7
X y/y (USD)	1.9	-2.8	-7.1	-7.1	-4.8	3.3	-1.7	7.7	-11.3	-29.0	-28.9	5.1	-0.3
M y/y (USD)	-7.5	-14.5	1.4	-9.4	-3.0	1.5	-1.6	9.0	-7.6	-13.0	-33.1	-8.1	-11.7
X-M RMbn	16.0	11.1	8.8	17.6	6.7	12.6	12.0	12.6	12.3	-3.6	10.4	20.9	25.1
X-M US\$bn	3.9	2.6	2.1	4.2	1.6	3.0	3.0	3.0	2.9	-0.8	2.4	4.9	5.9

Source: CEIC/AmBank Research

**Table 2: Imports by End Use YoY (%)**

	Jul'19	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul
Imports	-5.8	-12.5	2.5	-8.7	-3.6	1.0	-2.5	11.3	-2.7	-8.0	-30.4	-5.6	-8.7
Capital Import	-14.2	-30.9	7.0	-11.5	-4.4	-11.0	-14.8	-16.9	-48.1	68.9	-27.9	2.6	-19.7
Intermediate Import	-3.3	-13.8	11.1	-5.1	1.8	6.2	3.7	20.4	2.2	-30.6	-27.8	-10.7	-17.3
Consumption Import	-4.8	-12.8	15.1	-5.0	1.9	3.2	-1.0	10.2	7.0	-12.1	-21.9	9.1	0.1
Re-exports	-3.2	-0.3	-22.4	-10.2	-18.4	-0.3	-6.7	-6.3	13.4	38.2	-30.1	5.2	15.6

Source: DOS/CEIC/AmBank Research

**Table 3: Major Exports Markets YoY (%)**

	Jul'19	Aug	Sep	Oct	Nov	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul
China	6.4	-2.8	-3.0	-11.0	4.1	17.8	-5.6	11.0	-6.1	4.2	4.5	46.8	13.9
Singapore	3.8	-7.2	-11.6	4.1	-11.9	-2.7	1.1	22.5	8.6	-17.4	-21.9	3.7	3.8
US	11.9	6.8	6.6	2.7	6.5	15.1	9.5	25.5	-3.6	-31.1	-9.3	27.6	28.6
Hong Kong	3.3	-15.4	-26.5	0.1	-21.1	-18.1	-14.0	1.0	-12.6	-8.2	-23.5	30.9	1.5
Japan	-3.7	2.5	-1.7	-20.1	-16.0	-14.0	-1.6	3.7	-0.5	-28.4	-33.0	9.8	-2.8
Thailand	-1.0	-8.4	-4.3	-18.2	-14.6	-7.3	-19.8	-12.3	-37.4	-38.0	-40.0	-10.2	-9.4
Taiwan	53.0	-21.3	8.5	11.6	-11.3	27.6	3.9	20.9	-3.9	-22.1	-27.0	1.1	-4.6
ROK	7.6	-9.2	0.0	-5.5	-17.5	1.5	2.9	51.6	11.8	-2.7	-6.6	-3.0	11.3
Vietnam	10.8	24.7	-5.4	-1.9	-11.0	12.2	-16.7	14.5	-31.4	-37.0	-34.1	21.7	-4.9
India	-10.6	18.4	10.6	-12.4	-1.4	-13.6	5.8	-9.3	-40.6	-70.6	-81.1	-40.7	-7.4

Source: CEIC/DOS/AmBank Research

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Table 4: Exports by Sector and Sub-Sector (RM million)

Sector and Sub-Sector	Value RM Million (FOB)			Share (%)	Annual Change (%)		Value RM Million (FOB)		
	July	June	July		Val RM Million (FOB)	%	Jan-Jul	Jan-Jul	Share (%)
	2019	2020	2020				2019	2020	
<b>Manufacturing</b>	<b>77,329</b>	<b>72,475</b>	<b>80,944.90</b>	<b>87.5</b>	<b>3,616.10</b>	<b>4.7</b>	<b>485,182</b>	<b>464,775.10</b>	<b>85.8</b>
Electrical & Electronic Products (E&E)	36,201	32,553	39,536	48.8	3,335.70	9.2	218,090	205,910	44.3
Petroleum Products	6,423	4,488	5,970	7.4	-452.9	-7.1	41,641	39,172	8.4
Chemical And Chemical Products	5,009	4,305	3,846	4.8	-1,163.30	-23.2	33,691	29,060	6.3
Optical & Scientific Equipment	3,774	3,787	4,149	5.1	374.9	9.9	21,814	22,342	4.8
Machinery, Equipment And Parts	3,970	4,188	3,796	4.7	-174.2	-4.4	24,262	22,244	4.8
Manufacture Of Metal	3,593	3,681	3,381	4.2	-211.6	-5.9	24,069	20,228	4.4
Rubber Products	2,067	3,568	4,008	5	1,940.50	93.9	14,540	19,616	4.2
Iron And Steel Products	1,862	1,893	2,031	2.5	169.5	9.1	12,785	13,626	2.9
Palm Oil-Based Manufactured Products	2,030	1,782	1,671	2.1	-359.4	-17.7	14,194	12,130	2.6
Processed Food	1,946	1,828	1,925	2.4	-20.7	-1.1	12,100	11,930	2.6
Transport Equipment	1,596	1,290	1,509	1.9	-87.1	-5.5	10,050	11,716	2.5
Wood Products	1,376	1,387	1,563	1.9	187.5	13.6	8,693	8,408	1.8
Manufacture Of Plastics	1,342	1,195	1,115	1.4	-227.4	-16.9	8,557	7,544	1.6
Textiles, Apparels And Footwear	1,380	1,098	1,238	1.5	-141.1	-10.2	9,025	7,508	1.6
Non-Metallic Mineral Products	810	624	649	0.8	-160.8	-19.8	4,806	4,430	1.0
Paper & Pulp Products	622	605	528	0.7	-94.4	-15.2	3,503	3,715	0.8
Jewellery	545	128	243	0.3	-301.3	-55.3	4,177	1,956	0.4
Beverages & Tobacco	246	203	217	0.3	-29	-11.8	1,997	1,430	0.3
Other Manufactures	2,538	3,873	3,569	4.4	1,031.40	40.6	17,187	21,808	4.7
<b>Agriculture</b>	<b>5,037</b>	<b>6,258</b>	<b>6,568</b>	<b>7.1</b>	<b>1,531.30</b>	<b>30.4</b>	<b>38,230</b>	<b>38,246</b>	<b>7.1</b>
Palm Oil and Palm-Based Products	3,129	4,682	4,756	72.4	1,627.50	52	25,490	27,323	71.4
Natural Rubber	420	213	248	3.8	-172.6	-41.1	2,265	1,762	4.6
Sawn Timber & Moulding	336	273	307	4.7	-29	-8.6	2,497	1,698	4.4
Other Vegetables Oil	249	219	344	5.2	95.6	38.5	1,706	1,640	4.3
Seafood, fresh, chilled or frozen	183	209	209	3.2	25.1	13.7	1,223	1,315	3.4
Sawlog	72	39	54	0.8	-17.7	-24.7	480	293	0.8
Other Agriculture	647	621	650	9.9	2.2	0.3	4,570	4,215	11
<b>Mining</b>	<b>6,708</b>	<b>3,785</b>	<b>4,680</b>	<b>5.1</b>	<b>-2,028.30</b>	<b>-30.2</b>	<b>49,446</b>	<b>35,911</b>	<b>6.6</b>
Liquefied Natural Gas (LNG)	3,427	2,180	1,795	38.4	-1,632.00	-47.6	25,712	19,595	54.6
Crude Petroleum	2,076	912	1,974	42.2	-102.5	-4.9	16,351	11,088	30.9
Metalliferous Ores and Metal Scrap	855	447	707	15.1	-148	-17.3	4,251	3,240	9.0
Tin	124	122	89	1.9	-34.5	-27.9	1,123	777	2.2
Crude Fertilizers And Crude Minerals	124	86	114	2.4	-9.8	-7.9	701	687	1.9
Condensates and other petroleum oil	97	36	-	-	-96.9	-100	1,298	515	1.4
Other Mining	5	2	1	0	-4.5	-88.4	10	10	0
<b>Others</b>	<b>691</b>	<b>302</b>	<b>338</b>	<b>0.4</b>	<b>-353.1</b>	<b>-51.1</b>	<b>4,205</b>	<b>2,538</b>	<b>0.5</b>
<b>Total Exports</b>	<b>89,765</b>	<b>82,819</b>	<b>92,531</b>	<b>100</b>	<b>2,766.00</b>	<b>3.1</b>	<b>577,063</b>	<b>541,471</b>	<b>100</b>

Source: DOS/AmBank Research



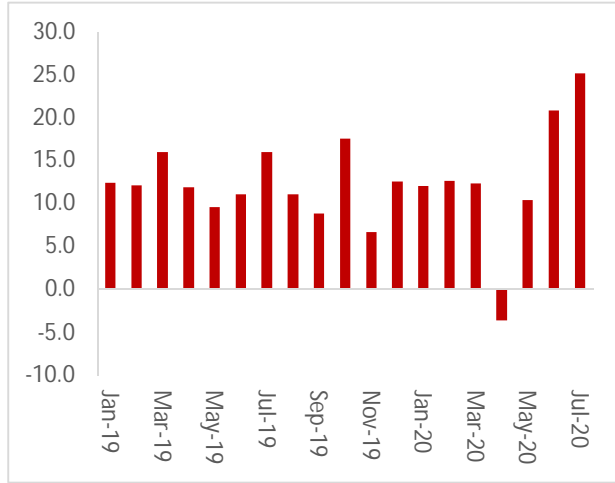
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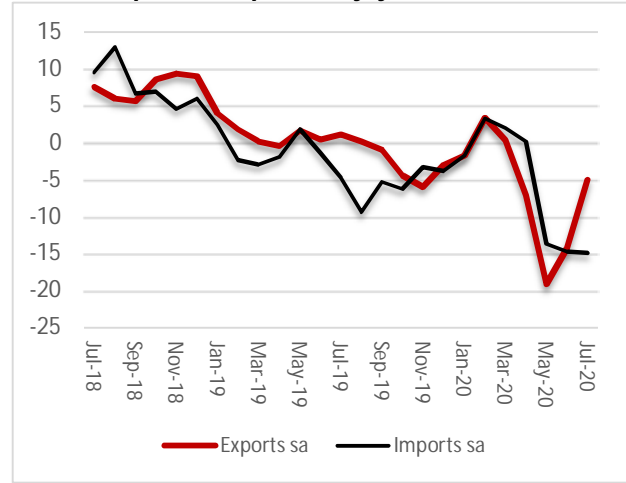
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Chart 1: Trade Balance (RM bil)



Source: CEIC/AmBank Research

Chart 2: Exports & Imports (sa y/y %)



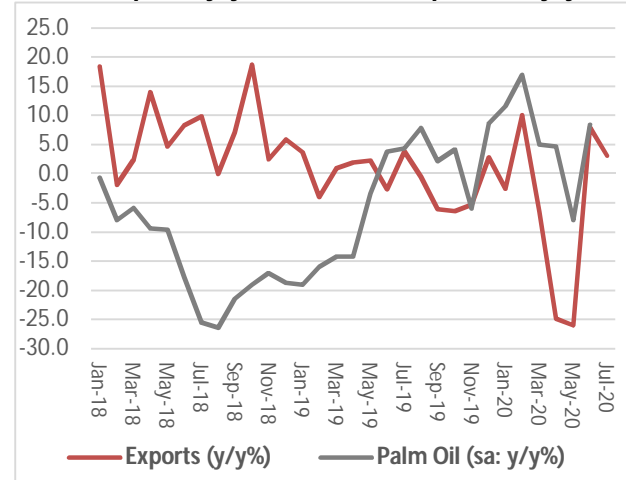
Source: CEIC/AmBank Research

Chart 3: Exports to US & China (sa: y/y %)



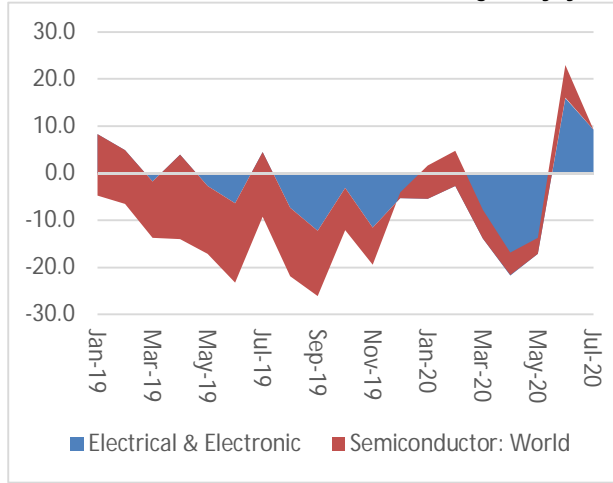
Source: CEIC/AmBank Research

Chart 4: Exports (y/y %) & Palm Oil Exports (sa: y/y%)



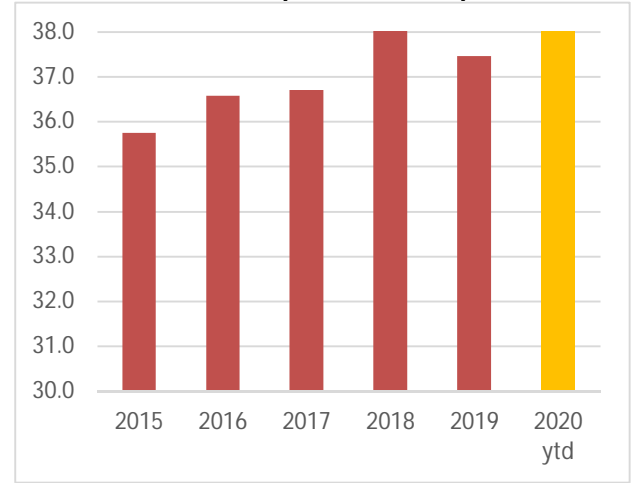
Source: CEIC/AmBank Research

**Chart 5: E&E and Semiconductor Net Billings (sa y/y %)**



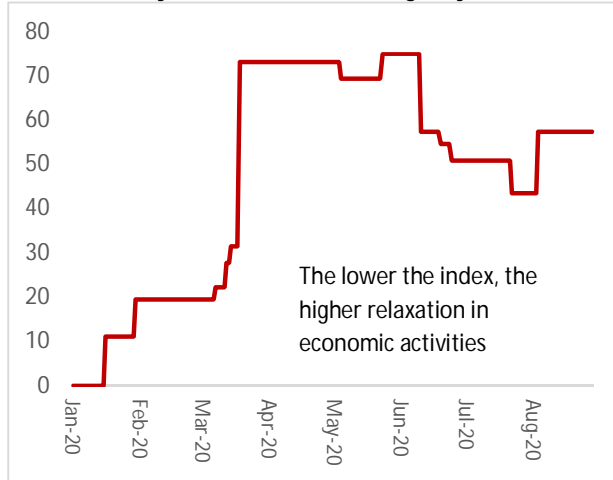
Source: CEIC/AmBank Research

**Chart 6: Share of E&E exports to total exports (%)**



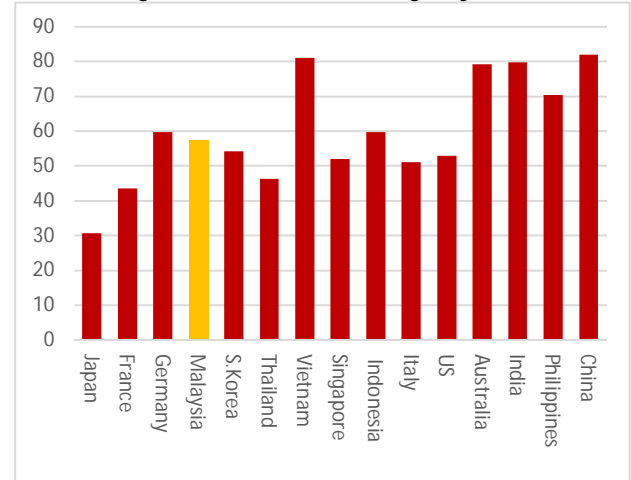
Source: CEIC/AmBank Research

**Chart 7: Malaysia Government Stringency Index**



Source: CEIC/AmBank Research

**Chart 8: Regional Government Stringency Index**



Source: CEIC/AmBank Research;  
Data as at 28 Aug 2020. US data as at 19<sup>th</sup> Aug 20

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